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FOREIGN SERVICE DESPATCH

FROM : American Legation, Tripoli

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DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON

July 23, 1953.
DATE

REF :

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY J. M. Razi DATE May 6, 1982
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TO AUTH. REASON(S)
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SUBJECT: Suggested Change in Form of the Organization Through Which U.S. Aid is Extended to Libya.

SUMMARY:

The General Manager of the Libyan Public Development and Stabilization Agency has requested that an effort be made to direct United States funds into developmental programs in Libya. This raises many questions regarding our financial, economic and social aid to Libya which the Legation suggests may best be answered by unifying and strengthening the aid organizations operating in this country and placing them and their programs under the administration of a strong United Nations technical assistance mission headed by an American of outstanding qualifications.

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On July 10, 1953, Sir Arthur Dean, General Manager of the Libyan Public Development and Stabilization Agency, called on me by appointment. He stated he had taken this initiative on his own decision in the interest of discussing a subject which he considered of importance to the future development of Libya. Sir Arthur brought with him a brief memorandum which summarizes the salient points of his conversation. A copy of this memorandum is enclosed.

The principle point which Sir Arthur wished to make was that he hoped it would be possible for the United States, in the course of its negotiations with Libya, to indicate a desire, at least, that a portion of the funds which the United States is to give to Libya should be set aside for developmental programs.

Sir Arthur stated there are growing indications that the Libyans wish to have all funds to be derived from the negotiations pertaining to base rights turned over to the Government of the country without qualification as to use. If this should take place, he believes there would be little probability of funds finding their way into developmental projects of benefit to the strategic value of Libya to the West, for the temptation to use them for frills such as expanding and equipping a Libyan army of little or no utility would be too great.

Sir Arthur is confident that in the eyes of the British Government his organization has done a good job with the facilities given to it. He admits, however, that it has not endeared itself to the Libyans. The principal reason for this, he said, is that the Agency did not obtain all the funds it expected to receive, namely, about £ 300,000 from the United States and was thus unable to undertake projects which would have had public and political appeal. Rather, it was obliged to carry

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carry on some projects which had been started by the British Administration and for which no other funds were available, and a few others which, though important, were not of the type that gave the Agency wide popularity. Libyans seem to believe that the works done by the Agency so far have been, for the most part, of principal interest to the British and not to the Libyans.

In reply to Sir Arthur's statements I said I could understand his position and appreciated the spirit in which he had brought the subject to me. I assured him I would give the matter sympathetic consideration and would report it to the Department.

Sir Arthur's approach to the Legation has the earmarks of a last, desperate effort to save the Agency, for it is apparent that he believes that without the support of the United States, the organization is doomed. He went so far as to say that to save the Agency, he would be willing to step down, yielding his place to an American. This is an indication of his strong belief that continued characterization of the Agency as British will not render it useful.

Arguments pro and con American membership in the Agency were outlined in some detail in the Legation's despatch No. 130 of January 17, 1953. The question of membership in the Agency is connected to many other phases of the relationship of the United States to economic, financial, social and public administration aid to Libya. Impending developments in our position in Libya derived from the prospective military agreement provide an opportunity to examine our course of action and see if a new approach should be taken.

It appears to the Legation that some responsibility should be assumed by the United States Government to see to it that funds granted to Libya in connection with the Base Agreement are well spent. This seems particularly desirable if, for reasons of policy, payments arising out of the Agreement are not viewed as rent for facilities but as a grant to a friendly country requiring assistance. Regardless of how these funds are viewed, it would appear that we would be remiss in our obligations to our own taxpayers and in our obligations to Libya if we did not take an active part in assisting Libya to spend the funds wisely.

It is quite possible that once the agreement is signed, the Libyans will request the United States to assign an American economic and financial adviser (without cost to the Libyan Government) to help in determining the best means of employing the funds. This already has been hinted at by more than one person in position of responsibility in the Libyan Government. As a matter of fact, Mr. Pitt Hardacre, Financial and Economic Adviser to the Federal Government, is reported to have made this suggestion to the Prime Minister and obtained the latter's endorsement of the idea. It is becoming apparent also that some members of the Libyan Government are growing distrustful and even resentful of the position of British advisers and wish to have them replaced by persons of another nationality, preferably Americans. If the current tide of anti-British feeling continues to rise, there is little doubt that we shall be called on to take a much more active role in Libyan Government affairs. If an American should be assigned to a position

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of high responsibility in the Libyan Government such as an adviser on economic and financial matters, it would appear that the obligation to assist Libya in utilizing our funds wisely would have been basically fulfilled.

Other aspects of our efforts to aid Libya merit consideration, however. As the Department is aware, there are two parallel programs of technical assistance in operation in Libya at present: the Point IV program and the programs sponsored by the United Nations and its related agencies. The Legation is inclined to believe that if the funds which are now used to execute these two programs could be pooled, a much greater benefit to Libya could be derived and at no real sacrifice of American prestige and friendship, or of the basic goals of our foreign policy in this country. In fact there is good reason to believe that in the long run the benefits to the United States might be greater than if we should continue our bilateral program separately.

If the Legation understands the mood of Congress correctly, it appears that there is little enthusiasm there for indefinite extensions of foreign aid. It may be expected, therefore, that the time will come, and perhaps fairly soon, when we shall be obliged to cut down on our aid programs. When this happens a very delicate situation is likely to arise, which could easily frustrate the basic objectives we have sought to attain in instituting these programs. For the most part, so far, in Libya we have merely succeeded in awakening appetites, and if we should be forced to withdraw at a time when these are but stimulated, there is bound to be unfavorable reaction. The best means, in the Legation's opinion, of preventing excessive disappointment, which could frustrate our basic interests, at the time we taper off or cut off our aid program would be to have local institutions ready to assume the functions of the program. This is the goal of our Point IV program, but it is a very remote goal in view of the immaturity of the country. It appears to the Legation that the logical institution to assume the responsibility of advising, training and assisting Libya in economic and social programs and in the conduct of public administration is the United Nations, the progenitor of the United Kingdom of Libya. The Legation therefore recommends that the Department give consideration to the possibility of unifying all technical assistance activity in Libya and placing it under the administration of the United Nations. If such a suggestion should find acceptance, the Legation would also wish to redommend that an American citizen of established prestige, broad vision, natural personal charm, and proven administrative ability should be placed at the head of the program.

As funds for such an expanded organization may not be available in the United Nations, it is recommended that consideration be given to the possibility of assigning technicians from the Foreign Operations Administration to serve with the United Nations mission, or allocating FOA monies to that mission to pay for salaries of American technicians operating with it.

The Legation has no means of knowing if the suggested combination of technical assistance programs is feasible but believes it is well worth considering. By means of such a combined effort, it can be anticipated that Libya will

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have more efficient assistance in determining good courses to pursue in its difficult road toward economic and social development. Current diversity and multiplicity of effort is believed to have weakened the advice offered, and a situation is arising which is making it more difficult for advice to be made acceptable. There is a growing, and quite often erroneous, concept among Libyans of the privileges of sovereignty. It is becoming apparent that only a fairly strong and united effort on the part of friendly foreign powers will carry sufficient weight to make Libya heed advice which points to the responsibilities of sovereignty.

One of the subtle though important benefits of blending our aid program with the United Nations is that credit for its accomplishments, particularly if directed by an American, could easily be claimed by the United States as its principal supporter, while the international character of the organization would make it able to absorb criticisms without imputing blame on nationalities or a particular country.

The Legation is aware that the Department does not favor raising any questions at the time Base Agreement negotiations are renewed which could handicap or delay the successful conclusion of negotiations. However, if the subject of the application of our contribution to Libya is raised in the course of our discussions with the Libyans, as is likely to be the case, the Legation believes it would be desirable for the United States to be in a position to state that separately it would like to examine this question with Libya. A course of action covering all phases of our financial cooperation with Libya, including our relationship to the Public Development and Stabilization Agency, should be determined well in advance of discussions on this subject. For the moment, the status of the Agency seems so indefinite that the Legation prefers not to make a specific recommendation regarding our participation in it.

Henry S. Villard

Henry S. Villard

Enclosure:
Cy of Memo as described.

cc: AmConsulate, Benghazi

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Cy of Memo Presented by General Manager of
Libyan Public Development and Stabilization Agency to Minister
Villard on July 10, 1953

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Contributions to Libya by interested Governments.

These are made in return for facilities. It is a strictly business transaction though it is also linked very closely with help to remedy the present under-developed state of the country. This has led to the financing of development projects separately from underwriting the deficit on the general domestic budget.

2. This complete segregation of a substantial part of the contributions seems unpopular and may have to be modified. Even though the additional assurance that the money is well spent that is given by passing it through a separate Development Agency has to be abandoned in order to get an agreement quickly it will be of value to the contributing countries to get as much as possible put into Development at least through a separate Capital Works budget.

3. The obvious reason for this is that the projects in such a budget are more likely in this way to get a regular allotment of funds and be more quickly executed.

4. The reason for a Development Works programme being of interest to the contributing countries is that it is designed to improve the economic and social condition of the people. This must lead to increased political stability. It is I think correct to say that of the countries which give facilities for mutual Security those where there is the least risk of unilateral repudiation are those where the standard of living and the consequent political stability are highest.

8th July 1953.

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